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FOREIGN SERVICE DESPATCH

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

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	REC'D	OTHER
	EUR-5	RM/R-2, INR-7, E-7, U/CEA-1, S/B-1, ICA-11, S/S-3, S/P-1
	8/24	CIA-15, OSD-4, ARMY-4, NAVY-3, NSA-2

SUBJECT: Current Status of Finnish-Soviet Relations

There has been no basic change in Finnish-Soviet relations since the Embassy's assessment of last December (refdes). Relations have remained more or less "normal" in the sense that Finland has not been subjected to extraordinarily heavy Soviet pressures such as occurred in the latter part of 1958. On the other hand, the attitude of caution toward the USSR has become more marked as international tensions have mounted in recent months.

Economic

By far the dominant issue within the framework of Finnish-Soviet relations has concerned the question of Finland's affiliation with EFTA. Finland's interests are considered by a substantial majority of the parliament and the country as demanding Finnish affiliation, and specific conditions of affiliation which are regarded by almost everyone as satisfactory have been negotiated with the Seven.

The EFTA question is analyzed more fully in other messages and will not be discussed in further detail here.

The country as a whole has been extremely prosperous this year and registered unemployment disappeared entirely in May. Exports and imports are booming, and there have been encouraging signs of sales capabilities in the West, notably orders for a

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number of ships from Sweden. However, trade with the Soviet Union as a percentage of total trade has nearly held its own and the increase in both imports and exports has led to a supplementary trade agreement with the USSR for 1960. This agreement adds about 5% to trade in each direction. This is less than the increase in trade with the West for the same period, but does not mean any real diminution of the Soviet position because the ups and downs in Finnish trade with the USSR usually lag somewhat behind the trend of trade with the world as a whole.

Arrangements have been completed for use of the Soviet ruble credit and decisions on a number of possible uses are expected soon. There has been only one minor **RIED** purchase to date.

Political

On the political side, no single issue has been dominant or has attracted particular attention. The Soviet Union has made more of its customary sallies into Finnish affairs. Through its press it has spoken out against leading Finnish personalities who take exception to the President's conduct of foreign relations (D-619, March 29) and against a Finnish documentary film on the Finno-Soviet wars of 1939-44 (D-682, May 6). At the 12th Congress of the Finnish Communist Party, guest speaker L. I. Brezhnev, who was to become President of the USSR three weeks later, declared that "some circles... in Finland try to hinder the collaboration of our countries with their intrigues, purposefully perverting its content and goals" (D-705, May 18). New cases of espionage for "a foreign power" on Finnish soil have arisen (D-559, February 26 and D-26, July 15).

Exchanges of persons and information between Finland and the USSR have continued at a high rate in sports, youth, science, government and other fields. Naval visits were exchanged, the Finnish Navy making its first postwar visit to the USSR after strong urging by the Soviets.

Both countries went through the annual ritual of celebrating--in words of praise for growing mutual **BIEC** amity--the 1948 Finno-Soviet Treaty of Friendship, Cooperation and Mutual Assistance (D-637, April 8). A recipient of Khrushchev's June 2 disarmament letter, Finland, while avoiding endorsement of the specific proposals accompanying the letter, expressed "appreciation" for "the endeavors of...the USSR in this respect" (D-2, July 1).

Except in the case of the EFTA problem, Finnish attention has been only mildly attracted to specific developments in Finnish-Soviet relations. Focus has rather been on the discouraging international scene, with anxious concern over what increased tensions may portend for Finland in its delicate relationship to the USSR.

For the Ambassador:

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